

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY BRUSSELS

C O N F I D E N T I A L STATE 112321

USEC

FOLLOWING REPEAT GENEVA 6543 ACTION SECSTATE DATED MAY 1, 1978.

QUOTE: C O N F I D E N T I A L GENEVA 06543

PASS ELECTRONICALLY USDA FOR SEC. BERGLAND, ASST. SEC.
HATHAWAY; AND STR FOR AMB. WOLFE

STATE FOR ASST. SEC. KATZ

E.O. 11652: GDS

TAGS: EAGR ETRD OCON

SUBJECT: UNCTAD GRAIN NEGOTIATIONS

REF: STATE 108445

1. U.S. DELEGATE TO INTERIM COMMITTEE OF UNCTAD GRAINS
CONFERENCE WOULD APPRECIATE CLARIFICATION OF INSTRUCTIONS
AS FOLLOWS:

(A) HERETOFORE U.S. POSITION HAS BEEN THAT IT WOULD
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"DISCUSS" COARSE GRAINS. REFTTEL STATES THAT U.S.
DELEGATION AUTHORIZED TO STATE IN MEETING THAT U.S. IS
PREPARED "TO NEGOTIATE AN INTERNATIONAL AGREEMENT ON
COARSE GRAINS." IN LIGHT OF POLITICAL SENSITIVITY OF
SUCH DEVELOPMENT IS U.S. PREPARED TO ANNOUNCE SAME
INTENTION TO OTHERS IN GROUP TWELVE AND TO RESPOND IN
KIND TO PRESS INQUIRIES?

(B) PARAGRAPH 3 OF REFTEL STATES THAT U.S. IS PREPARED TO NEGOTIATE AS "CONCRETE AND MEANINGFUL AN AGREEMENT AS POSSIBLE." DOES THIS MEAN THAT WE WOULD BE PREPARED TO ANNOUNCE INTENTION TO NEGOTIATE AGREEMENT WITH SUBSTANTIVE ECONOMIC PROVISIONS IF OTHER PARTICIPANTS ARE SO WILLING.

(C) PARAGRAPH 3 REFTEL STATES PARTICIPATING COUNTRIES "WOULD BE REQUIRED TO CONSULT BEFORE INITIATING CHANGES IN DOMESTIC POLICIES, WHICH COULD PREJUDICE THE OBJECTIVES OF THE INTERNATIONAL AGREEMENT". WOULD THIS REQUIREMENT ONLY APPLY TO CHANGES IN LOAN RATE, SET-ASIDE, AND OTHER DISCRETIONARY PROGRAM ADJUSTMENTS OR WOULD IT ALSO APPLY TO ACTIONS TO AMEND BASIC LEGISLATION? SINCE IT IS POSSIBLE THAT ADJUSTMENTS SUCH AS LAND RETIREMENT AND STOCKHOLDING BEYOND SPECIFIC INTERNATIONAL COMMITMENTS ON THE PART OF THE U.S. WOULD BE MORE SPECIFIC AND EXPOSED THAN THAT WHICH COULD BE EXPECTED OF OUR TRADING PARTNERS U.S. DEL WOULD APPRECIATE GUIDANCE ON EQUIVALENCY WHICH WOULD BE EXPECTED. ARE SUCH COMMITMENTS ENTIRELY OF A DISCRETIONARY NATURE OR WOULD THE U.S. ACCEPT SANCTION, MORAL OR OTHERWISE, IF IT ACTS AGAINST THE ADVICE OF ITS TRADING PARTNERS.

(D) SAME PARAGRAPH SUGGESTS THAT ACCEPTANCE BY U.S. OF CONFIDENTIAL

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A CONSULTATIVE COARSE GRAINS ARRANGEMENT BASED ON INDICATOR SCALE "WOULD BE FACILITATED BY CONFIDENCE THAT EC WAS IN FACT PREPARED TO TAKE MEASURES TO INCREASE UTILIZATION AT LOWER END OF PRICE BRACKET." HERETOFORE U.S. DELEGATE UNDERSTANDING OF U.S. POSITION WAS THAT ACCEPTANCE OF SUCH AN APPROACH (ARGENTINE PLAN) WOULD BE PREDICATED UPON COMMITMENTS BY THE EC TO INCREASE UTILIZATION. FURTHER THE EXTENT OF U.S. ACCEPTANCE OF ANY EXTERNAL OBLIGATIONS (BEYOND CONSULTATIVE) WOULD DEPEND ON MEANINGFUL (QUANTIFIABLE) UTILIZATION COMMITMENTS BY OUR TRADING PARTNERS, PARTICULARLY THE EC. DOES REFTEL SUGGEST NEW U.S. POSITION?

(E) COARSE GRAIN INDUSTRY REPS (STOLTE AND ARENDT) FOLLOWING LAST WEEK'S MEETING WITH STR/STATE, REPORTED THAT THEY WOULD BE ONLY ASKED TO ACCEPT AN ARRANGEMENT ON COARSE GRAINS IN RETURN FOR SOMETHING OF IMPORTANCE ON MARKET ACCESS. THEIR IMPRESSION WAS THAT THIS WOULD INVOLVE NOTHING MORE THAN A CONSULTATIVE ARRANGEMENT (WHICH THEY MAY BE INTERPRETING AS ARGENTINE TYPE RATHER THAN ONE WITH INDICATOR SCALE). THEY MAY NOT HAVE FULLY COMPREHENDED THAT OUTCOME COULD BE AN ARRANGE-

MENT WITH NOTIONAL PRICES WHICH COULD EVOLVE MORE AS OBLIGATORY RATHER THAN MERELY INDICATIVE, AT LEAST AS A MORAL COMMITMENT. THUS, WE FEEL FURTHER CONSIDERATION REFTEL MAY BE NEEDED, AS WELL AS FURTHER INDUSTRY CONSULTATION. IN FACT WE BELIEVE THESE OPTIONS (ARGENTINE, ARGENTINE PLAN AND STABILIZATION AGREEMENT) SHOULD BE DISCUSSED IN DETAIL WITH G&F ATAC AT MAY 10 MEETING.

2. BECAUSE OF SIGNIFICANCE THAT REFTEL IMPLIES FOR BASIC U.S. NEGOTIATING POSITION. WOULD APPRECIATE IMMEDIATE ATTENTION TO THESE QUESTIONS. VANDEN HEUVEL UNQUOTE VANCE

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